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ADOPTED

BOARD OF SUPERVISORS
COUNTY OF LOS ANGELES

23 October 6, 2015

PATRICK O'QUINN
ACTING EXECUTIVE OFFICER

October 06, 2015

The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, California 90012

Dear Supervisors:

**REQUEST APPROVAL TO DELEGATE AUTHORITY TO AMEND
AGREEMENT WITH CERNER CORPORATION
(ALL SUPERVISORIAL DISTRICTS)
(3 VOTES)**

**CIO RECOMMENDATION: APPROVE (X) APPROVE WITH MODIFICATION ()
DISAPPROVE ()**

SUBJECT

Request Board approval to delegate authority to the Director of Health Services to amend the Agreement with Cerner Corporation for the provision of an Electronic Health Record System for the Department of Health Services.

IT IS RECOMMENDED THAT THE BOARD:

Delegate authority to the Director of Health Services (Director), or his designee, to execute an Amendment to Agreement H-705407 (Agreement) with Cerner Corporation (Cerner) for the provision of an Electronic Health Record System, also known as the Online Realtime Centralized Health Information Database (ORCHID), with no change to the Maximum Contract Sum, effective upon execution, to expend Pool Dollars in the amount of approximately \$5.1 million in one-time and recurring fees over the remainder of the 15-year Agreement term for the hosting of Cerner's Etreby Outpatient Pharmacy Information System (OPIS) and associated Professional Services to move the OPIS from County hosted to Cerner hosted as part of Optional Work

under this Agreement, subject to review and approval by County Counsel and the Chief Information Office (CIO).

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

Background

OPIS is part of the overall Central Fill Pharmacy and Automation System (CFPAS) enterprise solution that not only provides outpatient pharmacy system functionality for the Department of Health Services (DHS), but also streamlines the method of accurately transferring DHS pharmacy refills prescription information efficiently to the Central Refill Pharmacy operated by Cardinal Health Pharmacy Services, LLC (Cardinal) for the DHS outpatient pharmacies. DHS has a Board approved Agreement with Cerner Healthcare Solutions LLC, solely for the implementation and maintenance of the OPIS software. At the time the Agreement was approved, the plan was to host OPIS at the Internal Services Department (ISD), and considered moving OPIS to Cerner hosting after ORCHID was implemented. OPIS is currently hosted at ISD.

When the Agreement with Cerner for ORCHID was originally negotiated, it included future integration of OPIS with ORCHID. DHS decided at the time to leverage the ability to include locked-in pricing for OPIS hosting in the Agreement, with an option to purchase it through the use of Pool Dollars, as described under "Additional EHR Capabilities" of the original Cash Flow Summary (Attachment B) approved by the Board on November 27, 2012. The Agreement's Maximum Contract Sum specifically includes Pool Dollars, which are available for Optional Work that can be procured including: (i) additional professional services and the purchase of new software licenses, the pricing of which was negotiated as part of the Agreement with expenditures authorized by the Director through the issuance of Change Orders; and (ii) Additional Electronic Health Record (EHR) Capabilities, including purchase of hosting services for OPIS which the County may purchase through a Board-approved Amendment to the Agreement.

Recommendation

Approval of the recommendation will enable the Director to amend the Agreement to transition OPIS from ISD hosting to Cerner hosting. Operationally, it will be more efficient for Cerner to manage the hosting services for both ORCHID and the integrated OPIS under the ORCHID contract. With more than 75 percent of DHS' providers on ORCHID and the remaining of DHS transitioning to ORCHID in the future, it is appropriate to move to Cerner hosting. There is no change in the Maximum Contract Sum initially approved by the Board on November 27, 2012.

Implementation of Strategic Plan Goals

The recommended actions support Goal 1, Operational Effectiveness/Fiscal Sustainability; and Goal 3, Integrated Services Delivery of the County's Strategic Plan.

FISCAL IMPACT/FINANCING

Funding for the recommended actions is included in the Fiscal Year (FY) 2015-16 Final Budget and will be requested in future fiscal years as needed, funded out of existing resources.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

Cerner Agreement for ORCHID

The Cerner Agreement was initially approved by the Board on November 27, 2012 and has been amended three times with no change to the Maximum Contract Sum.

Use of Outside Counsel

Because of the importance of this project, DHS continues to retain Foley & Lardner, LLP in conjunction with County Counsel, to advise on implementation and contract issues.

The CIO reviewed the Amendment and recommends approval. The CIO Analysis is attached (Attachment A).

CONTRACTING PROCESS

The requested actions include amending the current Cerner ORCHID Agreement that was originally awarded as a result of a Request for Proposals process. Acquisition of the Cerner hosting services for OPIS and the related Professional Services is permissible through the Amendment as there are Pool Dollars specifically identified in the Agreement to do so.

IMPACT ON CURRENT SERVICES (OR PROJECTS)

Approval of the recommendation will enable DHS to obtain hosting services from a single vendor for both ORCHID and OPIS.

Respectfully submitted,

A handwritten signature in black ink, reading "Mitchell Katz". The signature is written in a cursive, slightly slanted style.

Mitchell H. Katz, M.D.
Director

MHK:RS:kh

Enclosures

c: Chief Executive Office
County Counsel
Executive Office, Board of Supervisors
Internal Services Department

Reviewed by:

A handwritten signature in black ink, reading "Richard Sanchez". The signature is written in a cursive, slightly slanted style.

RICHARD SANCHEZ
Chief Information Officer



RICHARD SANCHEZ

CHIEF INFORMATION OFFICER

Office of the CIO CIO Analysis

NUMBER:

CA15-16

DATE:

9/11/15

SUBJECT:

REQUEST APPROVAL TO DELEGATE AUTHORITY TO AMEND AGREEMENT WITH CERNER CORPORATION

RECOMMENDATION:

☒ Approve

 ☐ Approve with Modification

 ☐ Disapprove

CONTRACT TYPE:

☐ New Contract

 ☐ Sole Source
☒ Amendment to Contract #: **H-705407**

 ☐ Other:

CONTRACT COMPONENTS:

☐ Software

 ☐ Hardware
☐ Telecommunications

 ☒ Professional Services

SUMMARY:

Department Executive Sponsor: Mitchell H. Katz, M.D., Director, Department of Health Services

Description: Delegate authority to the Director of Health Services (Director) to execute an Amendment to Agreement H-705407 (Agreement) with Cerner Corporation (Cerner) to expend Pool Dollars in the amount of up to \$5.1 million in total fees over the remainder of the 15 year Agreement term for the hosting of Cerner's Etreby Outpatient Pharmacy Information System (OPIS).

Contract Amount: \$5.1 million (Approx.)

Funding Source: DHS FY 2015-16 Final Budget

☐ Legislative or Regulatory Mandate☐ Subvened/Grant Funded:

Strategic and Business Analysis

PROJECT GOALS AND OBJECTIVES:


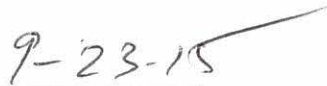

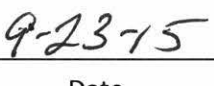

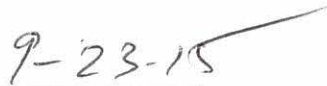

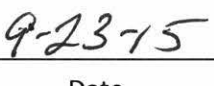

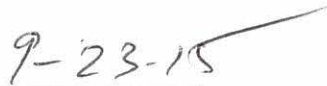

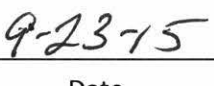
The project goal is to migrate the Outpatient Pharmacy Information System (OPIS) hosting services from the Internal Services Department (ISD) to Cerner Corporation. This will integrate OPIS hosting services with other ORCHID components under a single Agreement.

BUSINESS DRIVERS:

The key business drivers for the project are:

- Efficient usage of resources. The OPIS application will be installed in the same environment as ORCHID, thereby reducing hosting latency. Resources can also be scaled up by Cerner as needed to support Etreby minimal impact to DHS resources.
- An integrated application residing in an uniform infrastructure will provide a better serviceability and control. Cerner is best equipped to address issues related to OPIS' processing speed, efficiency of storage and retrieval of images and data, provide more efficient maintenance of the Etreby software, address interfacing issues with ORCHID.

	<p>PROJECT ORGANIZATION:</p> <p>Amy Gutierrez, Pharm. D., DHS Chief Pharmacy Officer, is the Project Executive Sponsor and Shane D’Souza, Pharm.D. DHS Pharmacy Supervisor is the Project Director. Andres Trinidad is the DHS IT Project Manager to address IT-related issues.</p> <hr/> <p>PERFORMANCE METRICS:</p> <p>The Cerner Etreby services will be governed by service levels and performance standards, including robust availability levels and service levels comparable to those for ORCHID.</p> <hr/> <p>STRATEGIC AND BUSINESS ALIGNMENT:</p> <p>This action supports DHS’ strategy to align applicable systems within the Cerner solution.</p> <hr/> <p>PROJECT APPROACH:</p> <p>The Board approved Etreby hosting services as optional work under the ORCHID contract on November 27, 2012. Initially, the Department proceeded to have ISD host Etreby, with consideration to move OPIS to Cerner hosting after implementation of ORCHID. The pricing for Cerner hosting of OPIS is valid for 5 contract years following the effective date. The Department is electing to transition hosting services to Cerner within this timeframe.</p> <hr/> <p>ALTERNATIVES ANALYZED:</p> <p>No alternatives were analyzed. DHS has elected to implement an optional service offering under a Board-approved contract.</p>
<p>Technical Analysis</p>	<p>Analysis of proposed IT solution:</p> <p>OPIS also known as Etreby, is part of the overall Central Fill Pharmacy and Automation System (CFPAS) enterprise solution that not only provides outpatient pharmacy system functionality, but also streamlines the method of accurately transferring DHS pharmacy refills prescription information efficiently to the central refill pharmacy operated by Cardinal Health Pharmacy Services, LLC (Cardinal) for County outpatient pharmacies.</p> <p>This hosted solution will connect the current 18 outpatient County pharmacies and the Cardinal fulfillment site using the same software platform. Cerner will be providing the hosted environment in a virtual machine. The setup will consist of production, backup, test, reporting, and training environments. The Cerner Etreby software client will be installed on the workstations at the local County pharmacies.</p> <p>OPIS will be hosted at Cerner’s primary data center in Kansas, City, MO, with a secondary data center located approximately 20 miles from the primary data center, to be used as a cold site for disaster recovery. Both hosting facilities have been designed, built and maintained in accordance with FEMA P-361 standard, which defines the appropriate safety of buildings required to survive an EF-5 tornado event.</p>

Financial Analysis	<p>BUDGET:</p> <p>Agreement costs</p> <p>One-time costs:</p> <table> <tr> <td>Remote hosting setup</td><td>\$56,800</td></tr> <tr> <td>Professional services</td><td>\$188,264</td></tr> <tr> <td>Total One-time costs:</td><td>\$245,064</td></tr> </table> <p>On-going costs:</p> <p>FY 2015-2016</p> <table> <tr> <td>Hosting and support</td><td>\$55,170</td></tr> <tr> <td>Application management services</td><td>\$255,600</td></tr> <tr> <td>Total first year</td><td>\$310,770</td></tr> </table> <p>FY 2016-2027</p> <table> <tr> <td>Hosting and support</td><td>\$809,160 ¹</td></tr> <tr> <td>Application management services</td><td>\$3,748,800 ²</td></tr> <tr> <td>Total cost for term of Agreement:</td><td>\$4,557,960</td></tr> </table> <p>Total ongoing costs: \$4,972,320</p> <p>Total amendment cost: \$5,113,794 ³</p> <p>¹ Comprised of annual cost of \$73,560 for application hosting and support</p> <p>² Comprised of annual cost for \$340,800 for application management services</p> <p>³ To be funded out of the "Additional EHR Capabilities" of Attachment D (Cash Flow Summary), which was approved by the Board on November 27, 2012 with no change to the Maximum Contract Sum. Upon execution of this Amendment, a balance of \$16,297,978 within the aforementioned category will remain.</p> <p>Note: Current annual ISD hosting cost is \$301,992.</p>	Remote hosting setup	\$56,800	Professional services	\$188,264	Total One-time costs:	\$245,064	Hosting and support	\$55,170	Application management services	\$255,600	Total first year	\$310,770	Hosting and support	\$809,160 ¹	Application management services	\$3,748,800 ²	Total cost for term of Agreement:	\$4,557,960
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Total cost for term of Agreement:	\$4,557,960																		
Risk Analysis	<p>RISK MITIGATION:</p> <p>The Chief Information Security Officer (CISO) reviewed the Amendment and did not identify any IT security or privacy related issues.</p>																		
CIO Approval	<p>PREPARED BY:</p> <table> <tr> <td></td><td></td></tr> <tr> <td>Sanmay Mukhopadhyay, Sr. Associate CIO</td><td>Date</td></tr> </table> <p>APPROVED:</p> <table> <tr> <td></td><td></td></tr> <tr> <td>Richard Sanchez, County Chief Information Officer</td><td>Date</td></tr> </table>			Sanmay Mukhopadhyay, Sr. Associate CIO	Date			Richard Sanchez, County Chief Information Officer	Date										
																			
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Please contact the Office of the CIO (213.253.5600 or info@cio.lacounty.gov) for questions concerning this CIO Analysis. This document is also available online at <http://ciointranet.lacounty.gov/>

	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	R	S	T	U	V	W	X	Z	AA				
1	Department of Health Services Electronic Health Record System Projected Cash Flow Summary																							1	Attachment B					
2																								2						
3																								3						
4																								4						
5				YEAR 1			YEAR 2	YEAR 3	YEAR 4	YEAR 5	Total Contract Initiation & 5 YRS	YEAR 6	YEAR 7	YEAR 8	YEAR 9	YEAR 10	TOTAL Contract Initiation & 10 YRS	YEAR 11	YEAR 12	YEAR 13	YEAR 14	YEAR 15	Contract Initiation & 15 YRS (Fiscal Years)	5	YEAR 16	TOTAL CONTRACT SUM (Contract Initiation to Dec 2027)				
6				Contract Initiation	FY 2012-13	Total Contract Initiation & Year 1	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17		FY2017-18	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22		FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27		6	FY 2027-28 (July 2027 to Dec 2027)					
7																												7		
8	SYSTEM COSTS																											8		
9	A. Contract Costs																											9		
10	A1. Contract Elements																											10		
11	(1) Licensed Software			4,259,424	3,955,179	8,214,603	3,955,179	0	0	0	12,169,782	0	0	0	0	0	12,169,782	0	0	0	0	0	12,169,782	0	0	12,169,782				
12	(2) Implementation Services & Training			4,027,747	13,478,437	17,506,184	13,515,877	74,880	74,880	74,880	31,246,700	37,440	0	0	0	0	31,284,140	0	0	0	0	0	31,284,140	0	0	31,284,140				
13	(3) Hardware and Third Party Software			5,057,769	300,078	5,357,847	600,156	600,156	600,156	600,156	7,758,471	600,156	600,156	600,156	600,156	600,156	10,759,252	600,156	600,156	600,156	600,156	600,156	13,760,032	300,078	14,060,111					
14	(4) Support *			0	6,030	6,030	185,786	919,775	1,788,401	2,096,764	4,996,756	2,096,764	2,096,764	2,096,764	2,096,764	2,096,764	15,480,574	2,096,764	2,096,764	2,096,764	2,096,764	2,096,764	25,964,392	1,048,379	27,012,771					
15	(5) Clinical Content *			50,400	1,170,022	1,220,422	2,760,758	3,602,183	4,022,897	4,022,896	15,629,156	4,030,106	4,037,315	4,037,315	4,037,315	4,037,315	35,808,522	4,045,246	4,053,177	4,053,177	4,053,177	4,053,177	56,066,476	2,026,589	58,093,065					
16	(6) Remote Hosting			3,188,800	962,190	4,150,990	1,924,380	3,026,635	4,781,245	5,433,600	19,316,850	5,433,600	5,433,600	5,433,600	5,433,600	5,433,600	46,484,850	5,433,600	5,433,600	5,433,600	5,433,600	5,433,600	73,652,850	2,716,800	76,369,650					
17	(7) Application Management Services (AMS) *			325,000	0	325,000	358,788	1,594,974	2,886,093	3,299,815	8,464,670	3,299,815	3,299,815	3,299,815	3,299,815	3,299,815	24,963,744	3,299,815	3,299,815	3,299,815	3,299,815	3,299,815	41,462,820	1,649,907	43,112,727					
18	(8) Third Party Products (ePrescribe, etc)			0	0	0	170,292	510,875	681,166	681,166	2,043,499	681,166	681,166	681,166	681,166	681,166	5,449,331	650,225	619,284	619,284	619,284	619,284	8,576,694	309,642	8,886,336					
19	(9) COLA (apply to those items with *)			0	0	0	0	0	0	0	0	0	0	0	0	0	0	79,460	231,468	304,016	304,016	304,016	1,222,976	19	152,008	1,374,984				
20	(10) Estimated Taxes			0	59,265	59,265	59,265	0	0	0	118,530	0	0	0	0	0	118,530	0	0	0	0	0	118,530	20	0	118,530				
21	Total Contract Elements			16,909,140	19,931,201	36,840,341	23,530,480	10,329,478	14,834,838	16,209,277	101,744,414	16,179,047	16,148,816	16,148,816	16,148,816	16,148,816	182,518,725	16,205,265	16,334,264	16,406,812	16,406,812	16,406,812	264,278,688	21	8,203,403	272,482,095				
22																												22		
23	A2. Optional Work/Pool Dollars (by DHS Change Order)																											23		
24	Planned Additional Software - Lighthouse			0	0	0	0	121,779	197,688	245,727	565,194	349,506	488,904	653,142	622,242	591,342	3,270,330	532,572	483,192	378,072	405,942	378,072	5,448,180	24	0	5,448,180				
25	Professional Services and Training			0	0	0	2,846,394	6,572,441	3,022,726	0	12,441,561	0	0	0	0	0	12,441,561	0	0	0	0	0	12,441,561	25	0	12,441,561				
26	Use Reconciliation			0	2,500,000	2,500,000	2,500,000	2,555,740	2,055,740	2,055,740	11,667,220	5,055,740	2,000,000	4,000,000	2,000,000	2,000,000	26,722,960	3,000,000	2,100,000	2,100,000	2,100,000	2,000,000	38,022,960	26	0	38,022,960				
27	Total Additional Optional Work/Pool Dollars (by DHS Change Order)			0	2,500,000	2,500,000	5,346,394	9,249,960	5,276,154	2,301,467	24,673,975	5,405,246	2,488,904	4,653,142	2,622,242	2,591,342	42,434,851	3,532,572	2,583,192	2,478,072	2,505,942	2,378,072	55,912,701	27	0	55,912,701				
28																												28		
29																												29		
30	A3. Additional EHR Capabilities (by Board Approved Amendment)																											30		
31	Enterprise Data Warehouse			0	0	0	795,679	771,680	771,680	403,109	2,742,148	427,109	403,109	403,109	403,109	403,109	4,781,693	403,109	403,109	403,109	403,109	403,109	6,797,238	31	0	6,797,238				
32	Hosting Etreby			0	0	0	357,140	458,434	458,434	354,072	1,628,080	354,072	354,072	354,072	354,072	354,072	3,398,440	354,072	354,072	354,072	354,072	354,072	5,168,800	32	0	5,168,800				
33	Powerchart Cardiovascular			0	0	0	2,565,508	2,825,700	2,825,700	810,192	9,027,100	810,192	810,192	810,192	810,192	810,192	13,078,060	810,192	810,192	810,192	810,192	810,192	17,129,020	33	0	17,129,020				
34	Clinical Exchange Platform (HIE, LANES Alternative)			0	0	0	1,134,121	931,621	931,621	591,216	3,588,580	591,216	591,216	591,216	591,216	591,216	6,544,660	591,216	591,216	591,216	591,216	591,216	9,500,740	34	0	9,500,740				
35	Total Additional EHR Capabilities (by Board Approved Ammendment)			0	0	0	4,852,448	4,987,435	4,987,435	2,158,589	16,985,908	2,182,589	2,158,589	2,158,589	2,158,589	2,158,589	27,802,853	2,158,589	2,158,589	2,158,589	2,158,589	2,158,589	38,595,798	35	0	38,595,798				
36																												36		
37																												39		
38	Total Contract Costs (A1 + A2 + A3)			16,909,140	22,431,201	39,340,341	33,729,322	24,566,873	25,098,428	20,669,333	143,404,297	23,766,882	20,796,309	22,960,547	20,929,647	20,898,747	252,756,429	21,896,426	21,076,045	21,043,473	21,071,343	20,943,473	358,787,187	40	8,203,403	366,990,594				
39	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	R	S	T	U	V	W	41						
40																														
41	This is a projected cash flow subject to the actual dates of payments which may cause the amounts payable in a fiscal year to change.																													